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Communist Aid and Trade Activities in Less Developed Countries, Second Quarter 1978

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Communist Aid and Trade Activities In Less Developed Countries Second Quarter 1978

*Central Intelligence Agency
National Foreign Assessment Center*

October 1978

HIGHLIGHTS

Libya's President Qadhafi has ordered his top officials to give preferential treatment to bids from Communist countries on government projects, following conclusion of several development agreements with East European countries in June.

The Comoros reportedly turned down a Soviet offer of substantial economic assistance in return for use of an airfield on Grande Comore Island and a deepwater anchorage at Anjouan Bay.

Peking agreed in June to provide at least US \$23 million in credits for agricultural projects and a stadium under its basic economic agreement with Liberia.

Poland and Romania obtained Nigerian agreement in principle to barter oil for goods and services, in contrast to the earlier refusal of Lagos to consider barter deals with the Communists.

Seychelles signed its first Communist economic cooperation agreement, with China, in early May.

China offered \$18 million worth of assistance to complete former Soviet projects in Somalia.

Thailand signed its first economic cooperation agreement with China and announced that the two countries will soon exchange military attaches.

East Germany agreed to provide \$200 million in credits to Brazil under an agreement negotiated in March.

Chile reached agreement with several East European countries to repay \$50 million in bank loans contracted six years ago by the Allende government.

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The USSR signed contracts in April to construct about one-third of the 1,500 km IGAT II pipeline to carry gas from the Kangan fields in southern Iraq to Astarak on the Soviet border.

Cuban medical personnel began to arrive in Iraq under an agreement that calls for 400 Cuban doctors to serve in rural areas.

Romania and Kuwait signed a five-year economic cooperation agreement, Kuwait's first economic pact with a European Communist country.

Turkey and the USSR signed wide-ranging agreements in June which will expand Moscow's role in Turkey's economy.

Moscow has moved quickly to expand its economic and military support to Kabul following the coup in late April that overthrew the Daoud regime. The number of Soviet military technicians rose and upwards of 20 economic contracts negotiated with the previous government were signed.

China's largest project in Pakistan, the \$200 million Karakoram highway, was opened to traffic in June.

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ARTICLE

Communist Aid Activities in Free World Less Developed Countries, January - June 1978

New Opportunities to Further Communist Political Influence

Abrupt changes in the governments of several developing countries during first half 1978 provided additional opportunities for Soviet economic and military diplomacy in the Third World. In Afghanistan, where a leftist coup brought a Marxist government to power in April, the USSR steadily increased its military and economic presence to assist the inexperienced new regime to consolidate their power. On the Arabian Peninsula, hardline Marxists who gained control of South Yemen after the June coup may well have opened the door to increased Soviet support. Turkey's new leadership has accepted Soviet offers of additional economic aid while it expands commercial ties with the USSR. Moscow's large new economic and military pledges in first half 1978 reflected both these new aid opportunities and continuing Soviet interest in cementing ties with strategically located LDCs.

Sell, Military Sales Dropped

Despite several large deals, Communist military commitments to the LDCs slumped to their lowest annual rate in three years, as established

The term less developed countries of the Free World includes the following: (1) all countries of Africa except the Republic of South Africa; (2) all countries of East Asia except Hong Kong and Japan; (3) Malta, Portugal, and Spain in Europe; (4) all countries in Latin America except Cuba; and (5) all countries in the Middle East and South Asia, except Israel.

Note: The substance of this publication has been coordinated with the Bureau of Intelligence and Research of the Department of State, with the Defense Intelligence Agency, and with the Agency for International Development. Comments and queries regarding this publication are welcome. They may be directed to [redacted] of the Office of Economic Research, [redacted]

clients absorbed heavy 1976-77 deliveries into their inventories and as a number of Arab states bought more of their arms in the West. Of the \$1.3 billion of new Communist military orders placed in the first half 1978, more than \$1 billion were on Soviet account (see table 1). East European countries provided most of the remainder (\$100 million), largely to the Middle East, while Yugoslavia and China extended \$43 million and \$21 million respectively.

Almost [redacted] of Moscow's new military agreements, by value, were with North African and sub-Saharan countries. The pacts bolstered Moscow's already heavy investment of men and material in those areas. For example, Ethiopia was promised [redacted] in assistance in addition to the large-scale support furnished by the USSR in 1976-77. Deliveries under the 1976-77 agreements, together with Cuban material and technical support, had enabled Ethiopia to drive Somalis from the disputed Ogaden region in 1977 and had helped to reinforce the position of the unpopular Mengistu regime. Libya, Moscow's favorite client in the Maghreb, purchased [redacted] of IL-76 transports in first half 1978, the second Third World order for this advanced aircraft.

Soviet deliveries [redacted] of military equipment in first half 1978 fell below the 1977 pace although they were in line with 1976 rates. At least [redacted] worth of military goods was delivered to Arab customers—[redacted] Libya, Iraq, and Syria—and about [redacted] of air and ground forces equipment went to Ethiopia. Deliveries to sub-Saharan Africa exceeded [redacted] in the January-June period, a third above 1977's half year rate.

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Table 1

Communist Military Agreements Concluded with LDCs, 1 January - 30 June 1978

Million US \$

	Eastern Europe									
	Total ¹	USSR	China	Bulgaria	Czechoslovakia	East Germany	Hungary	Poland	Romania	Yugoslavia
Total	1,283	1,227	21	31	87	2	2	N.A.	10	43
North Africa										
Libya										
Morocco										
Tunisia										
Sub-Saharan Africa										
Angola										
Ethiopia										
Guinea										
Mali										
Mozambique										
Tanzania										
Uganda										
Zambia										
East Asia										
Burma										
Indonesia										
Middle East										
Egypt										
Iran										
Iraq										
Syria										
Yemen (Arab)										
Yemen (South)										
South Asia										
Afghanistan										
Bangladesh										
India										
Pakistan										

¹ Totals may not add because of rounding. Values include all agreements for military supplies provided for cash, under credit, and as grants. Values are based on trade prices charged the LDCs.

Outstripped by New Economic Deals

In contrast with the slack-off in military sales, Communist economic aid pledges, spurred by unprecedented East European activity, spiraled upward to record levels (see table 2). East European commitments of nearly \$1.1 billion at midyear topped previous full-year offerings by more than \$100 million. East Germany headed the donor list with long-term credits of (a) \$350 million to Syria for development projects and equipment imports, (b) \$200 million to Brazil for capital goods, and (c) \$200 million to Ethiopia for port and railroad construction. An agreement

to renovate Tunisia's railroads (value not announced) could raise East German first half commitments to \$1 billion. Concerned over lagging sales to the Third World, East German officials have pushed recent promotion efforts with attractive credit offers.

Aside from a surprise \$140 million Czech credit to Burma—Prague's second largest ever to the Third World—for vehicle assembly and repair facilities, other East European offerings were more routine. Bulgaria provided \$35 million for Turkish commodity imports and Romania offered Morocco a \$50 million line of credit for

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Table 2
 Communist Economic Aid Extended to LDCs, 1 January - 30 June 1978

Million US \$

	Eastern Europe									
	Total	USSR	Total	Bulgaria	Czechoslovakia	East Germany	Hungary	Poland	Romania	China
Total	1,438.6	766.6	1,479.6	95.6	189.1	768.3	94.6	7.8	59.6	47.4
North Africa	76.6	56.6	56.6	...	...	...	...	...	56.6	...
Morocco	70.0	50.0	50.0	...	...	...	...	...	50.0	...
Tunisia	(*)	...	(*)	...	...	(*)	...	...	...	...
Sub-Saharan Africa	313.4	1.6	376.6	(*)	66.1	311.5	16.6	7.6	(*)	42.4
Angola	(*)	...	(*)	...	...	...	...	...	(*)	...
Benin	(*)	...	(*)	...	...	(*)	...	...	...	...
E-Mali	216.1	...	216.1	(*)	16.1	200.0	...	...	...	...
Liberia	20.0	...	...	...	...	...	...	...	...	20.0*
Mali	1.0	1.0	...	...	...	...	...	...	...	...
Nigeria	(*)	...	(*)	(*)	...	...	...	...	...	(*)
Rwanda	(*)	...	(*)	...	...	...	...	...	...	(*)
Senegal	0.1	...	...	...	...	...	...	...	...	0.1
Seychelles	1.8	...	...	...	...	...	...	...	...	1.8
Somalia	18.0	...	...	...	...	...	...	...	...	18.0
Sudan	24.0	...	24.0	...	24.0	...	...	...	...	...
Tanzania	26.6	...	26.6	...	...	12.6	10.0	7.6	...	...
Upper Volta	0.1	...	...	...	...	...	...	...	...	0.1
East Asia	160.6	...	160.6	...	160.6	...	...	...	...	(*)
Burma	160.0	...	160.0	...	160.0	...	...	...	...	(*)
Thailand	(*)	...	(*)	...	...	...	...	...	...	(*)
Latin America	294.6	16.6	314.6	...	...	298.0	14.6	...	...	...
Bolivia	10.0	10.0	...	...	...	...	...	...	...	...
Brazil	200.0	...	200.0	...	...	200.0	...	...	...	...
Jamaica	14.6	...	14.6	...	...	...	14.6	...	...	...
Near East	1,023.5	672.5	985.6	25.6	(*)	389.6	...	...	(*)	5.6
Cyprus	(*)	...	(*)	(*)	...	...	...	...	...	...
Jordan	(*)	...	(*)	...	(*)	...	...	...	...	...
Kuwait	(*)	...	(*)	...	...	...	...	...	(*)	...
North Yemen	25.5	25.5	...	...	...	...	...	...	...	...
South Yemen	20.0	20.0	NA	...	...	NA	...	...	...	5.0
Syria	200.0	...	200.0	...	...	200.0	...	...	...	...
Turkey	205.0	205.0	25.0	25.0	...	(*)	...	...	...	...
South Asia	24.5	4.5	29.5	...	...	29.5	...	...	...	...
Nepal	4.5	4.5	...	...	...	...	...	...	...	...
Sri Lanka	20.0	...	20.0	...	...	20.0	...	...	...	...

* Economic and technical cooperation agreement signed, but the value of credits, if any, is not known.
 ** New commitments under earlier credit agreement.

development projects. Most of the remaining East European deals involved credits covering the import of industrial and transport equipment.

East European countries also continued to use general economic and technical agreements to initiate and expand their Third World economic contacts. For example, Kuwait signed its first Communist cooperation agreement with Roma-

nia, Tunisia and Turkey their first pacts with East Germany, and Jordan its first agreement with Czechoslovakia.

Moscow also headed toward a record year in economic aid extensions, with more than \$700 million in first half commitments, all to old clients. We have not included in the Soviet figures the \$2 billion in credits that the USSR,

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according to a March announcement, will provide Morocco over the next 10 to 12 years for phosphate development. Until we have confirmation that the total amount was actually allocated, the Soviet commitment to the project is limited on our data sheets to the value of the first contracts signed; in first half 1978, contracts for project studies total \$20 million.

A \$550 million increase in the Soviet 1975 credit line to Turkey dominated Moscow's first half pledges and made Turkey the second largest recipient of Soviet economic aid, after India. The new assistance—which raised Moscow's total commitment to Turkey to \$1.7 billion—will support expansion of the Soviet-built steel mill, aluminum plant, and oil refinery, as well as the construction of new projects envisioned under the 1975 agreement. The USSR also provided North and South Yemen with additional aid for infrastructure projects already under way. Moscow also in the first half was negotiating multibillion credit sales of power equipment to Argentina, Brazil, and Iraq.

China, still pleading economic stringencies following political strife at home, signed less than \$50 million in new agreements. Liberia received a commitment of \$23 million under a 1977 agreement, while Somalia was promised at least \$18 million to finish projects abandoned by the Soviets. The most notable Chinese pact was Peking's first economic cooperation agreement with Thailand, under which Peking will assist agricultural development. Until now only Burma among Free World Asian countries has been permitting a Chinese technical presence.

SECOND QUARTER DEVELOPMENTS

Communist Economic Activities in LDCs

North Africa

Algeria. Algeria and the USSR were negotiating the construction of a mining and metallurgical complex during April, possibly a second steel mill planned under a framework agreement the two countries signed in January 1976. The USSR already has promised \$290 million for an

aluminum plant under that agreement. [REDACTED]

In May, Poland and Algeria reportedly set up a consortium to build thousands of houses under an Algerian Government program to construct 100,000 houses annually. About 100 Polish architects and engineers will work with the company, for which Poland will supply construction materials, equipment, and engineering services. Other major projects under consideration include a sulfuric acid plant and a 500,000-metric-ton cement plant. In addition, Polish firms will be given preference on the contract to build the \$750 million Mers al-Kebir shipyard, where Poland already has completed the pilot shipyard. The terms of these Polish-Algerian deals have not been announced; Algeria has about \$90 million left in Polish credits. [REDACTED]

Libya. Libya and Cuba signed a trade agreement in June that calls for an expansion of trade and for the first time includes Cuban sugar exports to Libya. [REDACTED]

Libya's President Qadhafi signed new economic agreements with four of the five East European countries he visited in June. A seven-year agreement with Bulgaria specifies expanded Bulgarian technical assistance to agricultural, irrigation, transportation, and industrial projects. The accord will reportedly double the contingent of Bulgarian technicians now in Libya. Sofia pressed hard for more oil and increased Libyan hard currency payments for these technical services; the Libyan response is not known. [REDACTED]

Qadhafi's Prague visit reportedly produced a Libyan agreement to sell 3 million tons of oil annually to Czechoslovakia in exchange for industrial goods. Czechoslovakia is not known to have bought oil from Libya since 1975 because of its high price, and this agreement has not been confirmed. East Germany signed a 10-year agreement with Libya on political, economic, and scientific cooperation whose terms were not announced. East Germany is the only East European country that is not engaged in sizable Libyan development contracts. A technical protocol with Poland calls for increased Polish participation in

planning, designing, and executing municipal projects, including public utilities. Poland signed a further contract to build 440 farms in Libya, in addition to the 1,300 it already has built. Qadhafi's stopover in Hungary was largely ceremonial and did not result in new agreements.

Upon returning from his Eastern Europe tour, Qadhafi instructed all top Libyan officials to work for closer economic ties with Communist countries. To achieve this end, Qadhafi ordered that East European countries be given preferential treatment on bids for government projects, even to the extent that existing projects let out to Western countries but not yet started be canceled and turned over to Eastern Europe contractors.

The USSR probably will be the major beneficiary of the new Libyan policy. Preliminary contracts apparently have been signed for Soviet construction of a 650-kilometer gas pipeline, and negotiations are continuing on a steel mill. Work has started on a nuclear reactor the USSR is building at Tajura, and Soviet geological teams have mounted a major search for uranium that has extended to all parts of Libya. About 65 Soviet specialists have been posted to Libya for these projects.

Mauritania. A Soviet fishing delegation, visiting Mauritania in late June, signed a general five-year fishing agreement which renews an agreement that expired in February. Mauritania had put off signing the new pact because of displeasure over Soviet implementation of the earlier accord calling for training of Mauritanian fishermen aboard Soviet vessels, construction of an oceanographic research laboratory, and a fish processing complex at Nouadhibou. While the USSR had been fishing Mauritanian waters, work had barely begun on the projects Moscow is supposed to undertake in Mauritania. Earlier this year, Moscow reconfirmed its commitment to the fish processing complex and turned over a second fishing boat to Mauritania.

Morocco. The USSR and Morocco signed a fisheries agreement in late April providing for a

joint fishing venture under which the USSR will receive a percentage of the catch in return for training Moroccan personnel, providing fish to local markets, and processing the entire catch in Moroccan facilities. The fisheries accord was to be signed in March but the Soviets balked over the Moroccan-sponsored clause calling for Soviet recognition of Moroccan claims in the former Spanish Sahara. The April accord does not contain the sovereignty clause.

In late June, a Moroccan delegation to Romania signed an economic and technical assistance agreement that provides \$50 million in credits for machinery and equipment purchases, repayable at 4.5 percent interest, probably over 10 years. Earlier Romanian credits to Morocco are estimated at \$20 million, mostly for mining projects.

Tunisia. Talks in Berlin reportedly resulted in agreements on economic and technical cooperation which provide East German loans on easy terms for Tunisian railway projects.

Hungary won a \$22-million contract to supply 20 diesel trains, probably to be financed under a \$35-million credit agreement signed in 1977. Last December, Hungary signed an agreement to provide passenger cars to Tunisia, also under credit.

In June, Soviet experts completed the engineering plans for a dam on the Joumin River, to be financed under \$55 million of credits provided in 1976.

Sub-Saharan Africa

Angola. Angola signed protocols to existing economic agreements with Bulgaria and the USSR in June. Bulgaria promised to help in agricultural development, while the USSR agreed to provide assistance in agriculture, industry, electric power, fisheries, and other fields. No specifics were announced. In May, the USSR announced that it was setting up a 400-hectare wheat farm in Huila Province as a gift.

Benin. Benin and East Germany signed Cotonou's first East European economic and

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commercial cooperation agreement during a visit by the East German Vice Foreign Trade Minister in June. [redacted]

Burundi. The USSR has offered to conduct extensive ground prospecting for zinc, lead, tungsten, copper, molybdenum, and tin [redacted]

[redacted] Protocols signed in 1976 call for Soviet assistance in geology under a 1974 credit agreement; Soviet personnel carried out preliminary surveys in 1976. The Soviets will replace a Romanian team that is being phased out because of disagreements over payment arrangements. [redacted]

Cameroon. China agreed to begin work on power transmission lines as part of a rural electrification project using power from the Lagdo dam. The projects come under credit agreements totaling more than \$100 million. [redacted]

Cape Verde. Officials from the Cape Verde ministry for rural development traveled to East Germany for studies on water management. The group probably is traveling under the auspices of an agreement signed in 1976 that calls for East German assistance to the agricultural sector. [redacted]

Comoros. The USSR reportedly offered a large sum of economic assistance to the Comoros in return for use of the Mahaya airfield on Grande Comore Island, and the deepwater anchorage in Anjouan Bay. Comoros turned down the request. [redacted]

Congo. The Congolese-Romanian joint economic commission meeting ended in April with only a general agreement to continue economic cooperation, particularly in agriculture. Congo has been dissatisfied with a Romanian agricultural project at Madingou because of low crop yields and with the snail's pace of construction of a synthetic fiber plant. Bucharest apparently also shipped repainted, used Swedish tractors to Congo disguised as the latest Romanian models under a Congolese contract to purchase 400 tractors. [redacted]

Djibouti. The USSR and Djibouti established embassy-level diplomatic relations on 3 April. [redacted]

Ethiopia. Addis Ababa's economic relations with Cuba intensified during the quarter, following President Mengistu's visit to Havana in April. A Cuban delegation studied possible agricultural assistance projects in June, and the two sides reached agreement on Cuban aid to Ethiopia's sugar industry. Ethiopia announced that 1,260 Ethiopian students, aged 9 to 17, would arrive in Cuba in early June on Cuban scholarships. [redacted]

The Soviets have greatly alarmed Egypt and Sudan by surveying water resources in the region of Lake Tana, the major source of the Nile. Cairo and Khartoum fear that any dam or power project in this area will restrict water supplies downriver. Under a protocol signed in 1977, Moscow offered assistance to Ethiopia in irrigation and agricultural development in the Awash Valley, an undertaking that will require at least \$300 million to implement. [redacted]

Ghana. Ghana played host to its first Cuban delegation since Nkrumah was overthrown in 1966. Discussions centered on possible areas of technical cooperation and trade in sugar and timber. Cuba will look into the possibility of providing experts to bring Polish and Czech-built sugar plants built before 1966 to capacity operation. The mills have a dismal production record because of cane supply problems. Ghanaian officials stress that any trade between the two countries will be for hard currency, and that barter is not being considered. [redacted]

Guinea. Conakry has requested that 550 Polish science teachers be sent to Guinea for two years beginning this academic year 1978/79; at the same time, Guinea is cutting down on the number of Soviet teachers in its schools. Conakry has applied for additional Soviet academic scholarships for Guinean students as an alternative to accepting Soviet teachers, whose professional qualifications, language skills, and teaching ability in the past have often proven unsatisfactory. [redacted]

Guinea Bissau. Cuba signed a protocol with Guinea-Bissau in April that calls for cooperation in health, agriculture, and fishing, as well as the

provision of scholarships and additional Cuban personnel for urban development, telecommunications, and fisheries. During 1977, about 85 Cuban technicians were in Cuba, mostly doctors, teachers, and sugar industry personnel. [redacted]

The USSR and Guinea-Bissau reportedly signed a new fisheries proposal in June but the accord may soon be terminated by Guinea-Bissau's President Cabral. Bissau is complaining that (1) the Soviets have not supplied enough fish to the local market, (2) after four years of their joint company's operation, not one local fisherman has been trained on the 10 Soviet supplied trawlers, and (3) Bissau has continued to receive "no net return" from their joint fishing venture. [redacted]

Lesotho. According to the South African press, the purpose of a week-long Cuban official visit to Lesotho was the establishment of diplomatic relations. If true, Havana now maintains diplomatic relations with all black-ruled states in southern Africa. [redacted]

Liberia. Liberian sources reported that during President Tolbert's visit to China in June, Peking agreed to provide at least \$23 million in credits under an agreement signed in February for several agricultural projects and a stadium. In April the two sides had signed protocols to go ahead with four rice projects under the aid agreement; the protocol calls for Liberia to fund local costs, while the Chinese will provide designs, equipment, and some building materials. About 50 Chinese technicians are in Liberia in connection with the projects; an additional 50 are at a sugar complex originally built by Taiwan. [redacted]

Madagascar. In April, Cuba signed a protocol to cooperate in a sugar industry project in Madagascar. No details of the agreement were announced. The two sides also discussed a Cuban scholarship program for Madagascar. [redacted]

Soviet technicians arrived in Antananarivo in late June to study a flour mill promised last year under a \$13-million 1974 agreement. The mill, with a 125-ton daily capacity and storage space

for 20,000 tons of grain, is to be completed in 1980. [redacted]

Mali. Mali and the USSR signed a hard currency trade agreement in March which ended a 17-year barter relationship. Bamako has joined the growing number of LDCs who are attempting to maximize hard currency income by canceling Communist barter trade arrangements. [redacted]

Mauritius. The USSR and Mauritius have completed negotiations on new fisheries accords which will permit Soviet use of drydocks for repair and refitting of fishing vessels, to be paid for in hard currency. Moscow is expected to begin using the shore facilities in August. Mauritius had permitted the previous fisheries agreement with the USSR to lapse in May 1977 because of dissatisfaction over the USSR's supply of fish to the local market and its miniscule training effort. [redacted]

Mozambique. At the Bulgarian-Mozambican joint commission meeting, held in May in Maputo, Sofia promised to provide financial and technical assistance for ongoing agricultural development projects in the Limpopo Valley, as well as for power development and various equipment purchases. [redacted]

Czechoslovakia and Mozambique signed their first economic and technical cooperation agreement following talks that began in Maputo on 20 June. [redacted]

East Germany and Mozambique signed a protocol on fishing cooperation in May, following negotiation of an agreement on coal industry cooperation in April. Mozambique plans to reopen its only coal mine, at Moatize, with East German and Romanian help. The mine was closed by an explosion in 1977. [redacted]

The USSR signed an agreement in late March to send 60 experts for a three-year study of mineral resources with particular emphasis on bauxite, coal, copper, gold, and nickel. [redacted]

Nigeria. Poland and Romania obtained Nigerian agreement in principle to barter oil for goods and services during a visit by Nigeria's chief of

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state to Communist capitals in early summer. Nigeria had been the only major Third World oil producer that consistently refused to consider barter deals with the Communists. Details of the exchanges are to be worked out later. [REDACTED]

In Poland, the two sides also discussed Polish cooperation in shipbuilding, port development, mining, agriculture, and other fields, and created a Polish-Nigerian economic commission to explore possible projects. Nigeria was particularly interested in a Polish proposal to run crash courses in Poland for middle-level Nigerian teachers; Lagos may send up to 400 persons for training in the next two years. In Romania, discussions focused on final plans for a new joint shipping line and fishing venture. Romania also put forward new proposals to participate in an oil refinery, petrochemical plants, agricultural projects, a cement plant, and rural electrification. Both Poland and Romania previously have undertaken projects in Nigeria, probably on a commercial basis. Romania's largest undertaking is a \$35 million wood-processing complex, while Poland's major contribution has been to coal mining. [REDACTED]

In May, Bulgaria signed an agreement on economic cooperation that also set up a joint commission to study Bulgarian projects in agriculture, food processing, public housing, and other areas. Oil was not mentioned in connection with the Bulgarian agreement. [REDACTED]

A 10-man Soviet steel industry team arrived in Lagos early in May to discuss the project report for the Ajaokuta steel mill. According to a Nigerian official, the USSR will not only design and equip the plant, but will also construct it. The two sides still are deadlocked on cost—the Soviets have put a price tag of \$900 million on the project, while the Nigerians insist they will not go higher than \$600 million. [REDACTED]

Rwanda. Rwanda and China signed a new economic and technical agreement in Peking in June. The new agreement probably commits China to additional agricultural assistance, as funds from a 1972 agreement for \$22 million are

nearly exhausted. Rwanda has been particularly satisfied with China's program. [REDACTED]

Seychelles. Seychelles signed its first Communist economic cooperation agreement in Peking in early May. The terms of the agreement were not revealed. The Seychelles President had expected to receive grant assistance valued at \$1.2 million for construction of a new major secondary school on Mahe Island. China apparently also promised to assist rice cultivation under the agreement. [REDACTED]

In contrast, Soviet initiatives were not so favorably received. A Soviet delegation failed to conclude negotiations for broad-based fisheries cooperation. The USSR's proposals would have provided the Soviet fishing fleet exclusive port rights at Victoria and onshore cold storage facilities in return for training and technical assistance. Seychelles President Rene turned down a similar Soviet offer last October.

Sao Tome and Principe. According to the Havana press, Cuban construction workers turned over two completed apartment buildings to the Sao Tome and Principe Government. [REDACTED]

Somalia. In April, China and Somalia reportedly signed a new economic agreement that calls for Peking to provide \$18 million in assistance for the Soviet-sponsored Giuba irrigation project, suspended by the Soviets when Mogadiscio abrogated its Soviet friendship treaty last November. China also will finish an agricultural project and take over the Soviet role in Somalia's fishing industry. [REDACTED]

In June, Romania signed a protocol with Somalia to expand cooperation in agriculture, forestry, and fishing. [REDACTED]

Sudan. China put the finishing touches on the second stage of the Hasahaisa textile mill in June—a printing and dyeing plant being constructed under a \$42 million 1970 credit—and began preparations for a clothing factory associated with the plant. The Hasahaisa complex, which employs 1,700 Sudanese, was begun in 1974; the spinning and weaving sections entered production in 1976. [REDACTED]

Tanzania. East Germany and Poland are collaborating on a textile mill project in Tanzania for which they are providing about \$20 million in financing. According to the Polish press, the two countries are planning future joint contracts in the Third World. The plant, with a work force of 3,000, is to be located at Mbeya and will manufacture 45 million square meters of cotton fabric annually.

Hungary's Junior Minister for Foreign Trade traveled to Tanzania in June to sign a \$10 million agreement that provides Hungary's first credits to Tanzania. In 1976, Hungary offered assistance for a light bulb factory, a spinning mill, and machine tool plants under an economic cooperation protocol.

Uganda. Uganda has accepted a Chinese offer of a \$35-million textile plant contract that calls for a 25-percent downpayment with the remainder repayable over nine years at 5 percent interest. The contract does not include installation fees, and its terms are unusually hard for a Chinese credit.

Zambia. Czechoslovakia is considering a \$12 million loan to Zambia for industrial development that would be Zambia's second credit from Eastern Europe. In 1972, Romania provided \$50 million for agricultural development, none of which has been used.

Europe

Portugal. Cuba signed an agreement to increase sugar exports to Portugal in exchange for use of Portuguese ship repair facilities.

Spain. A joint Soviet-Spanish company, INTRAMAR, has offered to service Iraqi merchant ships in Spain. The company, established in 1973 to act as general agent for the Soviet merchant fleet, offered to set up a storage depot of Soviet spare parts and equipment for Iraqi merchant vessels purchased from Moscow for the joint Soviet-Iraqi shipping company.

The USSR recently signed a \$10 million contract with Spain for the construction of 10

fishing vessels. The trawlers will be turned over to another joint Soviet-Spanish company, PESCONSA, for fishing in Spanish coastal waters. Moscow's five joint companies in Spain include two fishing ventures, one shipping agent, and two general trading firms.

Malta. The USSR agreed to initiate air service to Malta beginning in November and sent a ministerial-level delegation to Valletta in May as part of its campaign to obtain permission to open a resident mission. Malta's Prime Minister maintains that serious economic relations are a precondition for the establishment of a Soviet embassy.

East Asia

General. China received economic delegations from Fiji and Western Samoa during the second quarter. The visits appear largely ceremonial, although trade matters probably were discussed.

Burma. A Chinese study team arrived in Rangoon in May to study construction of a \$10 million stadium agreed to in 1976. The project probably will be financed with money remaining under \$57 million of credits reinstated in 1971.

Czechoslovakia and Burma signed a contract to go ahead with a tire and rubber goods plant—one of three plants for which Prague promised \$140 million in credits in January 1978.

Indonesia. The Indonesian Cabinet announced a decision in June to establish a more favorable climate for trade with socialist countries, particularly to promote nonoil exports. The new policy apparently does not apply to China; Jakarta has firmly rejected the opening of direct trade with Peking because of (a) China's continuing support for Indonesian Communist exiles in China and (b) fears that China would use an official trade presence in Indonesia to promote subversion in Indonesia's large Chinese community. An Indonesian Chamber of Commerce delegation to Peking had proposed opening discussions on direct trade without Indonesian Government authorization.

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According to the Indonesian press, a team of Soviet experts is expected soon to collect preliminary data for the 180-megawatt Mrica hydro-power project in Central Java. The study, to be financed with a Soviet credit, will cost \$2.3 million. Moscow apparently has promised \$100 million in credits to construct the project.

Papua New Guinea. China signed a three-year agreement to buy 20,000 tons of copper concentrate annually, about double annual purchases during 1975-77. The deal is valued at nearly \$22 million.

In May, the USSR made offers to Papua New Guinea concerning the licensing of Soviet fishing vessels, construction of shore facilities, and training and technical assistance. The offers were made by an Australian citizen who reportedly is representing Soviet interests.

Philippines. The Philippines has offered China 300,000 metric tons of copper concentrate, valued at \$120 million, for delivery through June 1981. China previously has bought about 60,000 tons of concentrate annually.

Romania is attempting to sell \$60 million worth of road construction equipment and 120 railroad cars to the Philippines. The terms of the deal are not known, but Romania has previously allowed Manila five-year repayment terms at 8 percent interest for equipment imports.

In April, the Philippines signed an agreement to form a joint fishing company with Poland. Poland will lease vessels to the company under a long-term contract; Philippine personnel will make up half of the crews and the vessels will fly the Philippine flag. The Soviets are said to be upset with the Polish venture because Moscow has been negotiating with Manila for more than four years to set up a similar operation.

Thailand. Thailand's Prime Minister ended his state visit to Peking in May with the conclusion of trade and economic cooperation agreements whose provisions were not revealed. Bangkok also announced that the two countries will

exchange military attaches soon. Kriangsak's visit may reverse the decline in economic relations that had set in after an initial flurry of trade deals right after the two countries established diplomatic relations in 1975. Thailand reportedly has begun negotiations to buy fuel oil from China and expects to receive favorable prices.

Latin America

Argentina. According to the Argentine press, Buenos Aires has provided a \$30 million credit to Warsaw's Handlowy Bank to finance imports of Argentine products. The terms of the transaction are not known.

Barbados. Cuba may soon open a commercial office in Bridgetown according to a Barbadian source. Earlier in the year, the two countries discussed cooperation in sugar production, dairy farming, and fisheries.

The PRC offered to provide Barbados project assistance during an April visit of a four-man Chinese economic mission to Bridgetown.

Bolivia. According to press reports, Bolivia is considering resumption of diplomatic relations with Cuba.

The Soviet trade organization Mashinostroyexport is preparing to sign contracts providing \$10 million in credits to the Oruro Tin Commission for the improvement of tin industry installations. The contract probably comes under a 1976 framework agreement that calls for 10-year credits to finance equipment purchases from the USSR.

Brazil. In early June a Brazilian trade mission visited China to continue negotiations on a long-term barter agreement involving Brazilian iron ore in exchange for Chinese coal and crude oil. The PRC also expressed interest in importing agricultural machinery, grain, and sugar, and Brazilian sources report that prospects are good for the sale of five Brazilian-made grain carriers valued at \$80 million. Commercial exchanges fall under the auspices of the first governmental

trade agreement between the two countries signed in January. [redacted]

Brazil has requested the USSR to extend the drawdown period of a credit agreement signed in 1975 which calls for equipment purchases to be financed over 10 years at 4 percent. The accord was due to expire March 1978 but was renewed late last year to allow the Soviets to place the bid on the \$1.3 billion Porto Primavera hydroelectric project, for which the USSR reportedly has offered \$500 million in financing for turbines and partial coverage of local construction costs under a 4-percent loan. The Soviet offer is a subject of controversy within the USSR; the construction ministry responsible for power projects claims that it cannot take the order and meet quality standards and delivery dates because of a backlog of turbine orders. Meanwhile, the Soviet foreign trade ministry, which is pushing the Porto Primavera project, also is planning a sales campaign for gas turbines that will use waste gas from Brazilian refineries. [redacted]

Under an agreement negotiated in March and signed in early July, the East Germans have provided \$200 million in credits to Brazil for equipment purchases. The loan is being provided in conjunction with a trade agreement that calls for \$1.25 billion in trade over the next three years. The Brazilians have implied that most of the credits will be applied to port improvements. [redacted]

Chile. Chile reached agreement with CEMA's International Bank for Economic Cooperation to repay \$50 million in bank loans received from several East European countries for commodities six years ago. No details on repayment schedules or method of payment are available. Romania's Foreign Trade Bank acted as intermediary in the negotiations. According to Chilean officials, only a \$20 million debt to the USSR and a \$9 million debt to Bulgaria remain to be renegotiated. [redacted]

Colombia. In late May, Cuba included a \$1 million contract calling for Colombian repair of Cuban ships at Cartagena; the first Cuban ship has already arrived at the shipyard. The two

countries, which resumed diplomatic relations in 1975, also are studying new trade, cultural, and textile cooperation agreements. [redacted]

Other Communist countries are included in Bogota's ambitious plans to expand and diversify trade. At least 20 Colombian enterprises will participate in the forthcoming Moscow trade fair, and Bogota has announced plans to sign joint venture agreements with Bulgaria for vegetable processing plants and with Poland for a farm machinery plant. Colombia's overtures have met with a warm response from Communist countries in the form of \$250 million in new credits (mainly from the USSR and East Germany) in the past three years for equipment purchases. [redacted]

Costa Rica. A Romanian technical mission arrived in San Jose to inventory bauxite reserves for possible use in the Boruca alumina project under an agreement signed in 1977. [redacted]

Dominica. Dominica's Premier refused Cuban aid offers made last winter for a cement plant, printing press, medical support, scholarships, and training of personnel in fisheries and agriculture. [redacted]

Ecuador. Cuba and Ecuador signed an agreement in June that will permit direct trade between the two countries. In the absence of diplomatic relations, commercial exchanges had been handled through intermediaries. The agreement calls for quarterly settlements in Canadian dollars. [redacted]

Two Soviet technicians arrived in Ecuador for a one-year stay to train local personnel in fisheries techniques. [redacted]

Guatemala. The PRC has become the largest of Guatemala's cotton buyers, purchasing 200,000 bales so far this year for about \$50 million. The Chinese deal has absorbed about one-third of Guatemala's cotton exports for 1978. [redacted]

Guyana. In April, Guyana's Prime Minister Burnham completed a swing through the USSR, North Korea, and East Germany seeking eco-

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conomic and technical assistance. In the USSR, Burnham signed (a) a protocol to purchase Soviet machinery and equipment under a June 1977 agreement calling for 10-year credits carrying 4.5-percent interest, and (b) a fisheries protocol which specifies a joint venture to fish for shellfish and the formulation of a 10-year plan for Guyana's fishing industry. Guyana failed to obtain Soviet aid in the construction of its long-sought billion dollar hydroelectric power project on the Upper Mazaruni River. Following Burnham's Moscow visit, however, a Soviet team arrived in Guyana to study a 600,000-ton alumina plant and associated power plant, with feasibility studies to be completed within 18 months. If the two sides decide to go ahead with the project, construction would take five years; Moscow apparently has agreed to take a substantial portion of the plant's output. The USSR also may supply petroleum to Guyana, and is interested in commercial gold mining projects.

East Germany agreed to ship \$1 million worth of consumer goods on credit, to support Georgetown's program to alleviate local shortages. The East Germans also will step up work on a vegetable oil plant under a \$10 million credit extended in 1974 and will send technicians to survey bauxite projects under last year's \$20 million credit.

Burnham's warmest reception occurred in North Korea, where he reportedly signed six economic protocols that included assistance in agriculture and production of ceramic tiles and plywood. North Korea also signed a fisheries agreement that calls for assistance to reestablish Guyana's wooden shipbuilding industry and for the formation of a joint fishing venture.

According to a Guyanese Government official, Cuba also approved several aid projects for Guyana. During the year Havana will set up a faculty of medicine for the University of Guyana and provide technical assistance for the sugar industry and radiobroadcasting.

Jamaica. A protocol signed by participants at the third Cuban-Jamaican mixed committee

meeting calls for Havana to double the number of doctors it maintains in Jamaica to 40; for technical assistance to water supply projects; and for construction of plants producing prefabricated panels and six schools. According to the local press, Cuban assistance during the next year is valued at more than \$50 million.

A Hungarian team arrived in Jamaica in May to study joint ventures, including a bicycle factory, an agricultural processing plant, fish farming, and vegetable growing. Earlier this year, Hungary increased credits to Jamaica for development projects to \$22 million under a 1977 agreement.

Mexico. Mexican President Lopez Portillo, who visited Moscow in May to discuss trade and economic cooperation, obtained Moscow's signature on the Treaty of Tlatelolco which commits Moscow under Protocol II to respect the regional nuclear free zones. No new contracts were signed on the economic side, even though the Soviets pressed hard for Mexican orders for machinery and equipment to be financed under the open-ended credit extended to Mexico in 1976 for equipment purchases.

Discussions also were resumed on a petroleum switch deal. In June the president of Mexico's National Petroleum Company announced that the two sides had reached preliminary agreement on a swap involving Spain and Cuba. Under the plan, Mexico will ship oil to Cuba in return for Soviet shipments to Spain. According to Soviet officials, however, problems over quantities and prices are still hampering final agreement.

Following his Soviet meeting Portillo made a visit to Bulgaria to sign contracts that call for Bulgaria to send 25 technicians to Mexico to plan, construct, and manage an agricultural complex. The pilot program embraces help with cultivation methods and with processing and packaging facilities and is expected to take two years to complete.

Romania also signed a protocol in June to expand economic cooperation. Bucharest is mostly interested in chemical and machinery exports and in cooperation in the petroleum sector. Ne-

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gotiations are continuing with Hungary on establishing joint Mexican-Hungarian enterprises for the production of light machinery and industrial goods. [redacted]

In May it was reported that President Lopez Portillo will round out his Communist contacts this year by visiting Peking in the fall. Both sides are interested in technological exchanges, particularly in the petroleum sector. [redacted]

Panama. Panama has requested increased Cuban scholarships in agriculture, forestry, and fishing. About 40 Panamanians were trained in these fields in Cuba last year. [redacted]

Peru. The Polish Under Secretary for Foreign Affairs arrived in Peru in June to discuss a renegotiation of a 1972 agreement for \$40 million in Polish credits which expired last year. Peru hopes to use the credits for the Oyan and Alto Chicama coal mining projects now being studied by Warsaw. [redacted]

Venezuela. No agreements were announced as a result of the visit of the president of the Venezuelan Petroleum Company to Romania in May to study petroleum recovery technology. [redacted]

A Soviet team was in Caracas in mid-June, reportedly to finalize a Venezuelan-Soviet oil agreement under which Venezuela will ship oil to Cuba in exchange for Soviet shipments to Venezuelan customers in Spain. A trial cargo of Venezuelan crude was shipped to Cuba in mid-July. [redacted]

Near East

During the quarter, Chinese delegations toured Iran, Jordan, Kuwait, and Syria to discuss expanding political contacts with those countries. [redacted]

Egypt. An Egyptian delegation traveled to Peking to discuss Chinese assistance to light industry and textiles under an \$80 million credit agreement renewed in 1976. [redacted]

Romania has allocated \$30 million of its \$100 million 1971 credit for the electrification of 200

villages, agricultural and irrigation projects, and power grid repairs. Egypt claims that electrification of 300,000 water wheels and irrigation pumps under the program will save \$36 million annually in other fuels. The projects, to be implemented in Gharbia and Dakhalia, were first discussed in July 1977. [redacted]

An Egyptian delegation departed for Moscow in early May to conclude a contract on expansion of a refractories plant that is part of the Helwan steel complex. The Soviets have been working on the plant since 1974. [redacted]

There were rumors throughout the quarter that Egypt was preparing to expel Soviets from development projects, particularly from oil and rural electrification projects, but there was little evidence of a decline in the Soviet technical presence. [redacted]

Greece. According to the Greek press, Moscow is seeking a friendship and political cooperation agreement with Athens, similar to one signed with Turkey in June. Further details on the proposal are not available. [redacted]

Iran. A new five-year trade agreement signed in May calls for Iranian-Bulgarian trade to total \$1.2 billion through 1983. Trade for 1978 was set at \$80 million each way, with Bulgarian imports consisting of 40 percent crude oil, 30 percent Iranian industrial goods, and the balance primary products, such as raw cotton. In return, Bulgaria will provide meat, dairy products, machinery, and equipment. The two sides again discussed the establishment of a \$350-million dairy farm in Bulgaria with partial Iranian funding; the dairy products would go to Iran. [redacted]

Czechoslovakia also signed an ambitious trade agreement with Tehran calling for exchanges to rise by 15 percent to \$200 million by June 1979. Czechoslovakia apparently secured Iranian agreement to exchange crude oil for capital goods, but the quantities involved are not known. In 1977, Czechoslovakia purchased small amounts of oil from Iran, but the Iranians were reluctant to commit substantial amounts of oil under a Czech barter proposal. [redacted]

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During the quarter, Hungary picked up a \$12 million contract for a date-processing plant, while Romania sold a calcinator for the Shiraz soda ash plant built by Romania five years ago.

Iran and the USSR signed contracts in April for Soviet construction of about one-third of the 1,500-kilometer IGAT II pipeline that will carry gas from the Kangan fields in southern Iraq to Astara on the Soviet border. The contract is valued at \$212 million; Iran will pay nearly half of this sum in hard currency to cover Soviet purchases in third countries. The remainder is payable in natural gas. According to one source, the price is probably about 15 to 20 percent too high, but the Iranians are satisfied with the contract because they were able to award it quickly, and construction conditions in the Soviet section are more difficult than in the other portions, won by Western bidders. The new pipeline is being built to fulfill an agreement among Iran, the USSR, Czechoslovakia, and several West European countries under which Moscow will deliver gas to Iran's Western customers in return for equivalent deliveries from Iran.

Iraq China has purchased 150,000 tons of crude oil from Iraq for June delivery, its first such contract with Baghdad since June 1976.

Cuban medical personnel began to arrive in Iraq in May under an agreement signed in February that calls for 400 Cuban physicians to serve in rural areas. The Baghdad press also reported in May that Iraq has ratified a loan to Cuba promised in December 1977, but gave no further details. A Cuban delegation arrived in Iraq in late May to discuss trade and economic cooperation, communications, public health, housing, industry, and agriculture.

According to the Budapest press, Hungarian oil prospectors have completed 14 oil wells in Iraq since 1970 and are at present working on a contract for 20 additional wells, half of them in the southern Rumayla fields. Hungarian oil development activity in Iraq is financed with \$11

million of credits provided in 1969.

Moscow continued to increase its support to Iraqi development projects in spite of an undercurrent of political tension which has caused some observers to question the longevity of the current close military supply relationship. During the quarter, Soviet organizations were preparing bids for the 600-megawatt Bekme hydro-power complex on the Great Zab River, a power transmission project, and, possibly, a \$350 million thermal power plant at Bajil, to be constructed on a commercial basis. The USSR also completed installation of an additional generator at the Dukan power plant and was preparing to go ahead with engineering studies for the Haditha hydropower complex following Iraqi approval of the project report. The USSR has provided extensive assistance to Iraqi power development under both aid and commercial arrangements; its most recent large commercial contract was valued at \$1 billion and was signed in late 1976.

In petroleum development, the second most important Iraqi development sector for the USSR, it was reported that the Soviet water injection program at North Rumaylah is valued at nearly \$140 million, some of it covered under Soviet credits provided in 1976. During the quarter, Iraq began production from the Soviet-developed Luhais field in southern Iraq at the rate of 50,000 b/d. The output of the field, developed under a \$22 million Soviet contract, is all slated for export.

Jordan. In late June, Czechoslovakia and Jordan signed a long-term trade and economic cooperation agreement under which Prague will build power plants, a cement works, and ceramics and leather factories in Jordan. This is the first such agreement between the two countries.

Kuwait. Kuwait's International Investment Company arranged and managed East Germany's first all-Arab syndicated loan in May. The two-year loan, for imports of grain and animal fodder from the West, carries market rates of interest. Last year, Kuwait handled

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nearly \$50 million in similar loans for Poland.

Poland signed a health cooperation protocol that calls for Polish doctors and medical teams to serve in Kuwaiti hospitals, the provision of Polish medical scholarships to Kuwait, and treatment of Kuwaiti patients in Polish hospitals. This is the first instance of Kuwait hiring Communist physicians.

At the end of June, Romania and Kuwait signed a five-year trade agreement and an economic cooperation agreement under which Bucharest reportedly opened a line of credit to finance equipment purchases. This is Kuwait's first economic cooperation agreement with a European Communist country.

North Yemen. Romania and North Yemen began talks in April on the possibility of Romanian prospecting for ore and minerals and construction of an oil storage facility. Bucharest has been involved in a number of small aid projects in North Yemen, particularly in geological prospecting, but the terms of the arrangements have never been announced.

Oman. On 25 May, Oman and China issued a joint communique announcing their decision to open diplomatic relations at ambassadorial level. The United Arab Emirates reportedly also is considering the establishment of diplomatic relations with the PRC.

South Yemen. In April, China signed a protocol to continue existing food processing and light industrial projects in South Yemen, and to extend road construction activities beyond the road project now planned between Shihr and Sayhut. In 1977, China agreed to supplement \$79 million in credits to complete projects, but the amount is not known.

East Germany provided new loans to South Yemen to finance consumer goods imports during the Second Five Year Plan beginning in 1979 and for fisheries development. Details on the agreements are not available.

United Arab Emirates. Sharjah hosted the UAE's first East European trade exhibit, from

Czechoslovakia, in late March. The Czechs hope to open a permanent trade mission in the commercially oriented northern Emirates in the next few months.

Turkey. Turkish Prime Minister Ecevit's Kremlin talks in late June ended with a series of draft agreements on trade and economic cooperation, to be signed later. Ecevit also signed a political document that fell far short of the nonaggression pact sought by Moscow. It merely restated the detente principles embodied in the Helsinki accords.

According to Turkish sources, a three-year trade agreement calls for exchanges to grow to \$800 million annually by 1981, compared with \$300 million forecast for 1978. The major element in the trade deal is Moscow's agreement to sell up to 60,000 b/d of crude oil annually beginning in 1979, about 20 percent of Turkey's import requirements. The USSR has agreed to accept wheat and tungsten in return for oil, with any imbalance payable in hard currency. At current prices, Turkey's entire wheat surplus and tungsten production would not be enough to pay for the Soviet oil. Other items mentioned in connection with the trade agreement include Soviet fertilizer, coking coal, and iron ore. The final agreement is slated for signing in August.

The economic protocol dealt largely with projects on the drawing boards; it also introduced Soviet petroleum prospecting in Turkey and nuclear power production as possible new areas of cooperation. The two sides approved technical studies for thermal power plants at Can and Orhaneli with a total output of 910 megawatts, and reiterated their intent to proceed with expansion of the Soviet-built steel and aluminum plants and oil refinery. Earlier this year the USSR agreed to raise the credit limit of the 1975 economic agreement to \$1.2 billion for these projects.

The Soviet agreements culminated an active half year of Turkish negotiations with Communist countries. In April, Bulgaria reportedly agreed to provide \$35 million for commodity imports and to increase exports of electricity to Turkey through an expanded transmission sys-

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tem. Sofia also agreed to defer payments on past-due electric bills for an unspecified period. In addition, a Bulgarian-Turkish joint commission signed a trade protocol calling for trade to exceed \$200 million, presumably next year, and for cooperation in dam construction on the Tundzha River, port construction, mining, power, water resources, and agriculture, as well as joint ventures in third countries. [redacted]

East Germany signed its first economic cooperation agreement with Ankara in June, providing the framework for cooperation in machine tools, lignite mining, the chemical industry, agriculture, electricity, and food processing. Hungary agreed to a joint venture to manufacture electrical equipment in Turkey and to cooperate in agriculture and fisheries development. [redacted]

The most significant of the agreements with East European countries in 1978 were those signed with Romania. Bucharest agreed to speed up construction of an oil refinery in Anatolia, begin work on an associated 400-kilometer pipeline, build a phosphate plant, and provide assistance for the exploration and production of minerals and oil. The refinery and provision of petroleum exploration equipment are being financed by \$200 million of credits pledged in 1976, but financing for the new projects was not spelled out. [redacted]

China's Foreign Minister discussed economic matters during a June visit, but he was not prepared to negotiate a draft proposal on economic and technical cooperation presented by Turkey. The two sides did agree to revive a mixed trade committee formed in 1974; its first meeting is scheduled for September in Ankara. [redacted]

South Asia

Afghanistan. China has added a cigarette factory to the list of projects it will construct under a \$45 million credit provided in 1972. Peking already is constructing a textile complex and irrigation projects under the credit. [redacted]

Following a coup that overthrew Prime Minister Daoud, the USSR moved quickly to assure the new Afghan regime of its continuing economic support by signing a number of aid contracts that were pending under earlier credit agreements. Among the most important projects specified in almost \$50 million worth of contracts were studies and designs for a \$600 million copper smelter and a bridge over the Amu Darya River at Hairaten, the first to connect the USSR and Afghanistan. Most of these contracts had been negotiated by the former government. Soviet advisers assumed more important roles in the economic ministries, however, to assist inexperienced officers appointed by the new government. The USSR reportedly also was designing a new educational program for Afghanistan, to incorporate Marxist-Leninist ideology. [redacted]

Bangladesh. The USSR hopes to conclude a contract for design work at a thermoelectric power plant at Ghorosal, this presumably involves an expansion (to 230 megawatts) of the Soviet-built plant at that location. [redacted]

India. The fourth session of the Indian-Bulgarian joint committee ended with a protocol on Bulgarian help with two major agricultural complexes at Bihar and Karnataka that will grow and process fruits, vegetables, grains, and meat. Sofia already has built six food processing plants in India. The two sides also agreed to form an ocean fishing company and discussed joint ventures in third countries. Other projects under study include leather goods production and cooperation in electronics, chemistry, and pharmaceuticals. [redacted]

The third session of Hungary's joint economic commission with India has identified pharmaceuticals and electric lamps as potentially the most profitable areas for cooperation in third countries. The two sides are studying joint ventures in Indonesia, Sri Lanka, and the Philippines, for which Hindustan Machine Tools will manufacture part of the equipment for the proposed ventures. Other ambitious projects discussed at the meetings included an alumina plant [redacted]

at Gujarat, a titanium plant in Kerala, and tungsten mining facilities in Rajasthan. Hungary agreed to set up additional leather and shoe factories, pharmaceutical plants, and fruit processing plants in the south of India. Budapest also is considering an Indian proposal to supply and build a coke oven in Hungary, similar to one provided to Bulgaria. [redacted]

Romania has offered a 330-megawatt power plant and a cement plant with a capacity of 1,500 tons per day as part of a comprehensive economic program which also embraces assistance to India for oil and gas development, vehicle assembly, chemical and leather goods production, and electronics industry development through 1985. The terms of the Romanian offers are not known. [redacted]

The USSR and Cuba are expected to submit a joint bid on a \$100 million nickel-processing plant in Orissa Province that will use ores similar to those found in Cuba. According to the Indian press, feasibility studies already are under way. The USSR also is actively engaged in oil and gas prospecting in West Bengal, and will sign new contracts soon to develop two promising deposits. In April, New Delhi and Moscow also signed seven-point protocol on Soviet services to develop iron ore and manganese deposits containing a high percentage of impurities. [redacted]

Nepal. Nepal will receive its long-awaited rosin and turpentine plant from the USSR under a \$4.3 million credit agreement signed in May. The two countries have been discussing the project for five years. Although the Nepalese expressed disappointment at the credit terms, they are easy by Soviet standards—12 years' repayment after three years' grace at 2.5 percent. [redacted]

Pakistan. The 500-kilometer Karakoram highway, the largest Chinese project in Pakistan, was opened to traffic on 18 June. China provided the \$200 million highway as a grant. The road, begun in the late 1960s, links Pakistan with China through the Himalayan town of Gilgit. [redacted]

In June, Poland offered to supply 16 ships to Pakistan with deliveries to begin in 1980. The deal apparently does not involve credits. [redacted]

The USSR and Pakistan have signed contracts valued at \$30 million for final work at the Guddu power plant, where the Soviets are installing a 210-megawatt unit that will double the plant's capacity. The USSR has completed equipment deliveries for the project under a 1973 credit of \$71 million. Pakistan also expects the USSR to approve a request for an additional \$250 million in financing for the Karachi steel mill, bringing Soviet aid to the plant to \$675 million, the largest Soviet credit to a single project in the Third World. [redacted]

Sri Lanka. Speaking at a press conference in early June, East Germany's Foreign Trade Minister announced the donation of 25 rice mills and 500 railway cars to Colombo. The value of this unprecedented gift appears to be in the neighborhood of \$20 million. The USSR has offered assistance for two irrigation projects included under the billion dollar Mahaweli River development scheme in eastern Ceylon, apparently in addition to commitments to the Samanalawewa hydropower project under a \$57 million credit agreement concluded in 1975. Soviet specialists also handed over the designs for the hydropower plant in June. Earlier in the quarter, in April, Sri Lanka awarded a \$45 million contract to the USSR to provide five ships to the Ceylon Shipping Corporation. Moscow bid successfully against British, Japanese, and Scandinavian firms. [redacted]

Communist Military Transactions With LDCs

North Africa

Libya. Libya has purchased [redacted] IL-76 jet transports from the Soviet Union in the second quarter for approximately [redacted]. Although some reporting suggests that deliveries of these aircraft would be made this year, the aircraft may not be shipped until 1979. Libya joins Iraq as the only other Soviet LDC client having purchased this giant transport. Despite obvious manpower and training constraints, Lib-

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ya has bought [redacted] of arms in 1974-77, one-half from the Soviets. Deliveries through the second quarter from the Soviets have totalou [redacted]

Middle East

Egypt. Although in the process of cultivating closer military aid ties with Western sources, Cairo maintained limited contact with Communist suppliers in first half 1978. China signed its fifth agreement with Cairo in three years calling for Peking to provide military spares and technical and financial assistance for construction in Egypt of a plant to manufacture spare parts. Romania agreed to provide ammunition and rocket launchers and delivered some [redacted] AKM assault rifles. [redacted]

Iran. Iran and Czechoslovakia concluded an agreement in May for RM-70 122mm rocket launchers valued at [redacted]. The RM-70 is mounted on a Czechoslovak-made Tatra truck and consists of a 40-round 122mm launcher module that will be a considerable improvement over the Soviet BM-21 rocket launcher now in the Iranian system. Delivery is scheduled to begin in 1979 and to be completed by 1981. The addition of this superior Czechoslovak equipment will further complicate an already hard-pressed logistics system, which must cope with equipment from over a dozen major suppliers. [redacted]

Kuwait. Kuwait received a shipment of [redacted] Frog-7 rockets and launchers from the USSR during the second quarter. The delivery is under a [redacted] agreement between Moscow and [redacted]

Kuwait last year—Kuwait's first major arms pact with a Communist country. Egypt and Syria have the Frog, which is a solid-propellant rocket with a range of about 45 nautical miles. Iraq, Kuwait's potential enemy also has both Frog and the longer-range Scud missile, and Kuwait wanted something equivalent. [redacted]

North Yemen. The Yemen Arab Republic, which has signed no new agreements with the Soviets thus far in 1978, has received [redacted] AN-26 transports, three MIG-17s, and [redacted] Zhuk-class patrol boats. Although Sana continues to receive military equipment from the Soviet Union, the government's decision to undergo an extensive modernization program financed by Saudi Arabia and supplied by the United States and France reflects its movement toward a more Western orientation and President Ghashmi's more balanced international policy. [redacted]

South Yemen. There were unconfirmed reports during the second quarter that the USSR has agreed to build naval and air bases in the People's Democratic Republic of Yemen (PDRY). The agreement to build the bases reportedly was reached during the visit to Aden by the USSR's Deputy Defense Minister, Admiral Sergei Gorshkov, which ended on 23 May. Moscow reportedly also will furnish [redacted] MIG-21 aircraft, [redacted] patrol boats, a radar network covering much of the Gulf region and a hospital to treat Soviet and Cuban personnel engaged in the fighting in Ethiopia. Bulgaria also signed a small arms and ammunition accord with the PDRY this year. [redacted]